

# VOLUME I--FINANCIAL PLAN

## TABLE OF CONTENTS

PREFACE .....	3
BUDGET PROPOSAL .....	5
FY/03 BUDGET SYNOPSIS .....	7
GENERAL FUND REVENUE ESTIMATES FOR FY/03 .....	11
GENERAL FUND APPROPRIATIONS .....	14
GOALS .....	15
FINANCIAL CONSOLIDATIONS .....	17
REVENUE ANALYSIS .....	25
Economic Outlook.....	27
Revised FY/02 and Proposed FY/03 Revenue Projections.....	33
DEPARTMENT BUDGET HIGHLIGHTS .....	39
Chief Administrative Officer .....	41
City Support Functions .....	43
Convention Center .....	46
Council Services .....	47
Cultural Services .....	48
Environmental Health.....	51
Family and Community Services .....	52
Finance and Administrative Services .....	56
Fire .....	62
Human Resources .....	64
Internal Audit .....	66
Legal .....	67
Mayor's Office .....	68
Metropolitan Detention Center .....	69
Parks and Recreation .....	71
Planning.....	74
Police.....	75
Public Works .....	77
Senior Affairs .....	80
Transit .....	82
BONDED INDEBTEDNESS .....	85

APPENDIX.....	93
Analysis of Methodology .....	95
Tax Authority .....	96
Acronyms.....	97
Selected Glossary of Terms .....	98
Numeric List of Fund Names by Category .....	100
General Fund Program Strategy Breakdown by Goal .....	101
Changes in Employment .....	104
Full-Time Personnel Complement by Department .....	105
APPROPRIATIONS LEGISLATION .....	109
General	
Metropolitan Detention Center	
City/County Facilities	

# CITY OF ALBUQUERQUE FY/03 OPERATING BUDGET

## PREFACE

This is Volume I of a two volume series on Albuquerque's General Fund FY/03 Proposed Budget. Volume I is the Financial Plan and Volume II is the Performance Plan. These documents together are the second of a two-segment process to prepare Albuquerque's annual operating budget. This segment contains the executive budget proposal for the General Fund, Transit, and several special revenue, internal service, debt service and project funds.

The City Charter requires an operating budget to be formulated annually by the Mayor in consultation with the City Council. The budget process is divided into two parts. The first two-volume set, is comprised of a financial plan and a performance plan for the five enterprise operating funds, one special revenue fund, and five debt service funds was sent to Council on March 1. The balance is delivered on April 1. Council holds at least three public hearings and approves the budget as proposed or amends and approves it within 60 days.

Appropriations are at a program strategy level, the level at which expenditures may not legally exceed appropriations. Budgetary control is maintained by a formal appropriation and encumbrance system. The Mayor has authority to move program strategy appropriations by the lesser of five percent or \$100 thousand, provided the fund appropriation does not change. Appropriations may be made or modified during the year by a legally adopted resolution. With the exception of project funds, appropriations revert to fund balance to the extent they have not been expended or encumbered at fiscal year end.

Budget data is prepared consistent with the City's basis of accounting. Governmental funds, expendable trust funds, and agency funds utilize the modified accrual basis of accounting, while enterprise, pension trust, and nonexpendable trust funds are on an accrual basis. Transactions are recorded in individual funds and each is treated as a separate entity.

Albuquerque provides traditional services such as public safety, culture and recreation, public works, highways and streets, water and sewer services and refuse collection. In addition, the City operates parking facilities, a transit system, a major airport, correction and detention facilities and a housing program. Volume I, the Financial Plan, contains a summary of funding issues by department, goal, and

program strategy for all operating funds not previously submitted.

Volume II, the Performance Plan, contains detailed information on the purpose of strategies and key initiatives in the upcoming year. It includes information down through individual service activity levels, and the measurements required for a performance based budgeting system.

The Financial Plan, Volume I, has seven major sections. The **Executive Summary** is designed as an overview. This section discusses the policies underlying the budget proposal.

The **Consolidated Tables** section presents an elimination of interfund transactions in order to provide an accurate picture of the budget as a whole. Total proposed revenues and appropriations for all funds, including those presented in March are included in the consolidation tables.

The section on **General Fund Revenues** contains detailed information on the projected revenues, proposed fee increases and economic issues to be addressed in the coming year.

**Department Summaries** follow containing financial information and other pertinent information on a department basis by goal and at the program strategy level. The Fund Balance Tables or Working Capital Tables, where appropriate, are presented with estimated ending balances. These tables provide the detailed information for the consolidated tables in the Executive Summary.

**Bonded Indebtedness** and the **Appendix** complete the supporting budget documentation. The **Appendix** contains information that is useful to prepare or understand the budget, including definitions, a schedule of the functional grouping of funds and departments, and a budget calendar. There is also a brief explanation of the methodology used in budget preparation.

The **Appropriations Act** section is a copy of the legislation that is submitted to the Council along with this document. It must be passed as submitted or amended and passed by City Council and approved by the Mayor before the budget becomes law.



**CITY OF ALBUQUERQUE  
FISCAL YEAR 2003  
BUDGET PROPOSAL**



## FY/03 BUDGET SYNOPSIS

The FY/03 Proposed General Fund Budget establishes the financial plan for City government directly for the next fiscal year. The Chavez Administration is guided by three major themes: improved public services, efficient and effective government and constructive and collaborative leadership. Although sagging revenues and increasing costs make progressive initiatives more challenging, in this budget proposal, the City moves forward. Difficult financial times require leadership and creativity. This document presents a balanced General Fund Budget that maintains the operating reserve. It also contains numerous policy initiatives. Funding capacity for the proposed policy initiatives was found by: reallocating existing financial resources, looking for increased organizational efficiency and updating select fees.

### Policy Initiatives to Provide Public Service

Police Cadet Classes. Improved public service must first focus on public safety. The FY/03 General Fund Proposed Budget funds two APD "attrition" cadet classes, including required equipment and vehicles to ensure that the budgeted number of officers (930) is achieved. Without these two classes and conservatively estimating retirements, the number of officers could be as low as 874. Police cars are funded to assure that we can get some of the high maintenance "blue tops" off the road. The combined cost of the two "attrition" cadet classes is four million dollars.

Police Officer Retention. Currently Albuquerque loses its best police officers at the most productive point of their careers. We need to retain our best officers and grow the total number of officers. The FY/03 General Fund Proposed Budget funds an incentive plan that encourages APD officers to postpone retirement and remain on the force. Next year we propose to pay an additional 4% of the employee's share of retirement plan costs for officers that are eligible for retirement. This benefit will cost the City approximately \$100,000. The City plans to ask the 2003 Legislature to establish a full Deferred Retirement Option Plan that will allow officers to continue to work for the City without losing the pension benefits that they would otherwise have received.

One Stop Shop. Improved service will be provided to the public in FY/03 when the One Stop Shop, as originally envisioned, becomes fully functional. The Building and Development Services and selected Construction Management functions of the Public Works Department will merge into the Planning

Department. These two activities are critical functions of the One Stop Shop. Upon this merger, all functions of the One Stop Shop will be organizationally located in the Planning Department where one individual will oversee and be responsible for all operations.

Nuisance Abatement. The Legal Department has created a five-attorney unit that will oversee efforts to close down nuisance property, seize vehicles in DWI cases and fight graffiti. Lawyers have been reassigned from other legal duties to this unit with no additional impact on the General Fund. Due to this unit, the Department expects a doubling in the number of vehicle forfeitures, cases brought against graffiti offenders and the number of nuisance-abatement lawsuits.

September 11. In the aftermath of September 11, 2001, many local governments are reviewing and enhancing their emergency response operations, particularly with regard to man-made disasters. The proposed budget includes resources and staff to allow the City of Albuquerque to focus on our need to deal with the consequences of major emergencies. Most of the funding for this effort, however, will likely come from intergovernmental grants.

Bosque Reclamation. Our Bosque is a unique environmental resource that must be protected. This budget funds the first of a five year project to remove non-native species as well as dead and downed wood and restore native trees, shrubs and grasses. The result will be a healthier, safer and more sustainable Bosque that is free of high water-using exotic vegetation, safer from wildfires and that provides opportunities for recreational activities. This investment in sustainability is made by a \$280,000 General Fund appropriation, which is combined with approximately \$400 thousand from the Sustainable Water Fund 622. City staff is currently pursuing federal funding to reduce General Fund costs. Should the grants materialize, part or all of this appropriation could be reduced at mid-year.

Youth Programs. Other policy initiatives to better serve our youngest citizens are funded in this proposal. Forty thousand dollars is directed to coordinate with APS to develop an elementary school music program that returns music to our elementary schools and opens new windows of opportunity to elementary school students. Ten thousand dollars is evenly divided between two new programs. The Youth Advisory Council that will

provide an internship opportunity to High School youth who will be our leaders tomorrow; and the Mayor's Leadership Program that will allow two university students to serve an internship in Washington, D.C. is included in this proposal.

### **Initiatives to Provide Efficient and Effective Government**

City/County Unification. This proposal dedicates \$150,000 to fund professional services that will be necessary to properly prepare for unification. The questions abound: creation of a blended tax structure, consolidating different financial systems, public safety coordination, etc. must be considered in designing a unified government.

e-Government. Efficiency in the twenty-first century depends upon technology. The public has come to expect information and services to be available online. The City must aggressively enter the e-Government world by developing and enhancing web applications, and by beginning the Enterprise Resource Planning process.

Transit Reorganization and Fixed Route Bus Service. The General Fund subsidizes transit services each year. In an effort to become more efficient a major managerial reorganization is proposed that will collapse five managerial divisions into a single unit. Bus route ridership was reviewed to eliminate inefficiencies. The result is the proposed elimination of the six least productive commuter routes and seven weekday evening routes. Since weekend service is critical to transit dependent citizens no weekend route eliminations are proposed. However, changes in headway times for one Saturday and four Sunday routes are proposed.

Reinstate Fund 730. Fund 730 was designed to fund vehicles and computer equipment. Newer vehicles reduce repair and maintenance costs. Additionally, cars and computers should be routinely replaced to avoid "bubbles" in purchasing patterns. Fund 730 appropriations have been reversed in the past two years due to year-end overspending problems. Fortunately, some new vehicles were recently funded in the G.O. bonding program. However, the City needs to return to a routine pattern of funding vehicle and computer replacement. This budget proposal contains \$1.5 million for Fund 730.

Planning Reorganization The Proposed budget involves a significant downsizing and reorganization. The department will reduce the workforce and adjust assignments to create an efficiency savings of nearly one half million dollars.

APD Reorganization. In order to improve the effectiveness of the Albuquerque Police Department investigations, the budget includes a reorganization that will centralize the homicide and burglary units.

Overtime Control. Overtime has chronically caused over expenditures in Public Safety and Transit. Policies and procedures to properly account for the various types of overtime and establish a pre-approval process for employees seeking over time are being developed and documented. Additionally, overtime expenditures are now being tracked. The proposed budget reduces the appropriation for public safety overtime (Police, Fire and Corrections) by \$1.8 million from the projected actual fiscal year 2002 level.

### **Resource Review**

The FY/03 General Fund Proposed Budget provides \$338.2 million in total revenues for a 3.2% total revenue growth over Revised FY/02 and a 2.9% increase over the Approved FY/02 revenue level. The \$338.2 million revenue estimate includes approximately \$4.1 million in proposed new fees and fee increases.

At FY/02 mid-year the City faced a dual challenge: revenues were projected to fall by \$5.5 million in response to the events of September 11, and the expenditure patterns indicated that a few large departments would significantly overspend their budgets. Resources were reallocated, overtime policies were developed and fees were imposed or increased to balance the FY/02 mid-year budget.

Although September 11 was a unique event, in recent years a pattern of slow revenue growth has emerged. The City economist presented a preliminary revenue estimate for FY/02 and FY/03 to the Forecasting Advisory Committee. Although unexpectedly high consumer activity in December produced a larger than usual Gross Receipts Tax distribution, the consensus of the group was to keep revenue estimates relatively low. General Fund revenues, without the benefit of fee increases proposed in this document, are expected to grow at only 1.9%.

Revenue growth of 1.9% is not adequate to support the level of City services currently provided. Typically governments have thought revenues should grow at the sum of the inflation rate and the population growth rate in order to maintain services at the existing level. Inflation is expected to be 2.1% in FY/03 and Albuquerque population growth averages about 2% per year. Most recent economic information indicates that local job growth stalled in FY/02 – hitting zero in the second quarter of the



fiscal year. In addition to a lagging local economy, Internet sales, Indian gaming and the growing number of goods and services that have been exempted from taxation by State law reduces revenue growth and limits the City's ability to address the needs of a growing community.

The City departments were asked to review the fees they collect. It was discovered that there were numerous opportunities to update fee schedules that had not been adjusted for inflation in years and to be comparable with fees charged by other comparable governments. A discussion of all fee changes follows in the revenue sections of this document. However, principal fee increases are highlighted here. Building permit fees were increased to match those charged by Bernalillo County. Animal license, adoption and boarding fees were increased to more closely reflect charges of other similar sized communities and to more nearly recover the costs of kennel services provided to neighboring governments. Restaurant inspection fees were reworked and set on a square foot basis rather than their current unverifiable gross sales base.

In an effort to more completely cover the cost of the services provided, the proposal also contains fee increases for adult sports (softball, basketball, football and baseball). Also proposed is a \$5 per player charge for the use of City soccer and football fields. Tennis court rental, lessons and ball sales fees are also increased. Swimming pool admissions are increased by approximately \$0.25 per swimmer. Finally, the Parks and Recreation Department proposes to surcharge Balloon Park admissions, parking and RV space rental fees.

Proposed fee increases for the City's childcare and latchkey programs are included. The current charges are well below the cost of service and the proposed fee increases would result in charges that are still below the market price. The proposal increases childcare fees: from \$15 to \$20 and from \$25 to \$32 per week for the two categories of income eligible participants. Income eligible participants would now be charged \$10 per week for participation in the morning latchkey program and \$5 per week for the after school playground program. Currently income eligible participants are not charged. Non-income eligible participants in the latchkey program would continue to pay \$20 per week (unchanged) and \$10 per week for the after school playground program (currently no charge). Summer latchkey/playground all day charges would not be changed (\$20), but participants would now be charged \$10 for services that are currently free from 9AM to 3PM. The latchkey and playground programs propose to impose a \$10 "school year" registration fee. Income eligible participants of the

latchkey program may participate in the playground program at no additional cost.

Other fee increases include imposing an overhead charge on APD Chief's Overtime and charging City attorney fees for nuisance abatement and foreclosure legal services. Finally, the Convention Center proposes to implement preferred vendor contracts that not only reduce operating costs but also provide revenue to the Center.

### **Defining the Budget Problem**

When the mid-year cleanup was final, preparation began for the FY/03 Financial Plan. The Executive's mid-year 147 layoff proposal had been rejected and with it \$9.5 million in FY/03 cost savings. The "open the doors" analysis provided at mid-year was again revisited in the preparation of the Five Year Forecast. As the revenue outlook began to crystallize and it became obvious that the anticipated growth in revenues was not nearly sufficient to support the cost of providing services. Clearly, if services to the public were to be maintained, significant changes had to be made to the City operations. Fees must be reviewed and increased if appropriate. The "Open the Doors" cost had to cover significant cost increases.

Union Contracts. Union contracts signed in FY/02 (and before) have a significant impact on the cost of operating government in FY/03. Since wage increases are frequently activated during the year or on anniversary dates, the full year impact is not felt in the year the increase is given. For example, Management Phase III of the Anderson Classification and Compensation project will be implemented for the final pay period of FY/02 and will have a full year impact in FY/03. Similarly, Police received a step increase for one-half of FY/02 that will need to be funded on a full year basis in FY/03. Transit drivers and fire fighter union employees received PERA increases in the second half of FY/02 – resulting in a full year impact in FY/03.

OEB. Other Employee Benefits (OEB) cost increases are primarily attributable to increases in health care and the resulting increase in health insurance coverage cost. A small factor in the increased OEB rate increase is the pass through cost increase of State retiree healthcare coverage.

Risk Recovery. The Risk Fund is estimated to have an \$11.6 million deficit -- if all outstanding claims were paid. In order to cure the deficit, which took years to create, the proposed budget imposes a surcharge on all departments to fund a five-year risk recovery plan. In addition to funding the Risk Fund

recovery, costs of providing the City with insurance increased.

CIP Coming On Line. Approximately \$2.6 million of increased costs in FY/03 are attributed to CIP projects that will be completed and must be operated in FY/03. These facilities include: Erna Ferguson library reopening after recent remodeling and expansion; Animals of Africa exhibit at the Zoo; Balloon Museum; Fire Station 20; La Cueva, Old Town, South Broadway and Montgomery/Landau Mini Sub Stations; Crime Lab; Manzano Mesa Multi-Generational Center; Uptown Transit Center, Seven Bar and Montgomery/Tramway Park and Ride; and, water for the Balloon Fiesta Park.

Vacancy Salary Savings Rate. In an effort to make budgets more realistic, the vacancy salary savings rate was reduced to 1.5% for all but the smallest City departments. Since vacancy salary savings rates had been as high as 4.5% in the FY/02 budget, reducing the rate was a significant additional expense in some departments.

Together with the cost associated with increases in base budgets (more inmates, funding overtime, early retirement, debt service, etc.), the unavoidable costs associated with beginning the FY/03 budget totaled nearly \$24 million. Offsetting the cost was \$11 million in new revenue and the recurring effect of the positions that had been deleted at mid-year. Those elements netted an approximate \$12.7 million "Open the Doors" challenge.

### **GF Budget Strategy**

As a first step to meeting this challenge, criteria were established as a framework for budget development. First consideration was given to the policy direction of the administration – improve public services, make government more efficient and support collaborative leadership. Next, fundamental budgeting policies were established. They are simple and straightforward: budgets must be realistic because department directors that overspend their budgets risk termination. Realizing that significant budget cuts and reorganization would require a reduction of work force, staff worked hard to prepare detailed information on affected positions to facilitate transferring employees into identified funded vacant positions to minimize layoffs. Basic financial policies were adopted to preserve the City's high credit rating.

Departments were first required to prepare budget requests based on a 15% budget reduction target. The 15% reduction held sworn personnel positions harmless. Department proposals could also include revenue enhancements and reductions to offset their spending reduction target. Once staff reviewed department proposals and made technical adjustments,

the requests, along with a very limited number of new initiatives were reviewed in CAO hearings.

### **BUDGET POLICIES**

#### **ADMINISTRATION POLICY GUIDANCE**

- Improve public services – especially public safety services
- Make City government more efficient and effective
- Support constructive and collaborative leadership

#### **Budget Development Policy**

- Budget Realistically – look to the history of actual expenditures
- Preserve the fiscal health of the City – look for the out year impact of today's decisions.
- Minimize layoffs by placing employees whose jobs are targeted into vacant funded positions
- Protect the city's capital investment by not closing facilities and funding maintenance.
- Reduce the assumed "vacancy salary savings rate" to a more realistic 1.5%.

#### **Financial Policies**

- Maintain a "Five Percent" Operating Reserve.
- Balance Recurring Appropriations with Recurring Revenues.

Preliminary decisions were made and the staff was sent back to estimate the effects.

In keeping with the Executive policy guidance to provide collaborative leadership and in compliance with the City Budget ordinance, a summary presentation of results was provided to the Budget Review Committee (comprised of the Council President, Budget Committee of the Whole Chairperson and the Finance Committee Chairperson). Additionally, Councilors were appraised of proposals as they were developed and were involved in discussions with departments.

### **General Fund Proposal**

A few initiatives were funded and those initiatives are summarized in the beginning of this section. The result of the actions taken is a proposed FY/03 budget of \$337.8 million, a 3.2% increase over the mid-year FY/02 Budget or a 4.1% increase over the Approved FY/02 Budget. The proposal includes approximately 128 layoffs that produce \$5.3 million in General Fund savings and 146 vacant deleted positions for an additional savings of \$5.8 million.

Significant changes for funds other than the General Fund are discussed in detail in the department narrative pages. Additional General Fund highlights are discussed in a subsequent section.

## GENERAL FUND REVENUE ESTIMATES FOR FY/03

General Fund revenues for FY/03, including all proposed fee increases, are expected to increase 3.2% to \$338.2 million; with \$2.5 million in non-recurring receipts. This represents an increase of \$10.4 million above the current estimate of FY/02 revenues. The largest source of growth—\$5.9 million or 2.6%—comes from increases in gross receipts taxes. The Albuquerque economy continues to grow but at a slow rate. Construction is expected to decline substantially in FY/03 as the BIG-I project ends and we see slowdowns in single-family construction.

Local taxes other than gross receipts are about \$2 million above the estimated FY/02 revenues. Property tax revenues are expected to increase by \$400 thousand, due to growth and increased valuation as allowed under yield control. Recurring franchise tax revenues should be up \$240 thousand. This accounts for a moderate growth in the franchises. Cable franchise revenues are weaker as cable internet connection is no longer subject to a franchise tax. A one-time payment from Comcast adds \$1.1 million. PILOT revenues are expected to increase about \$330 thousand from growth in enterprise funds.

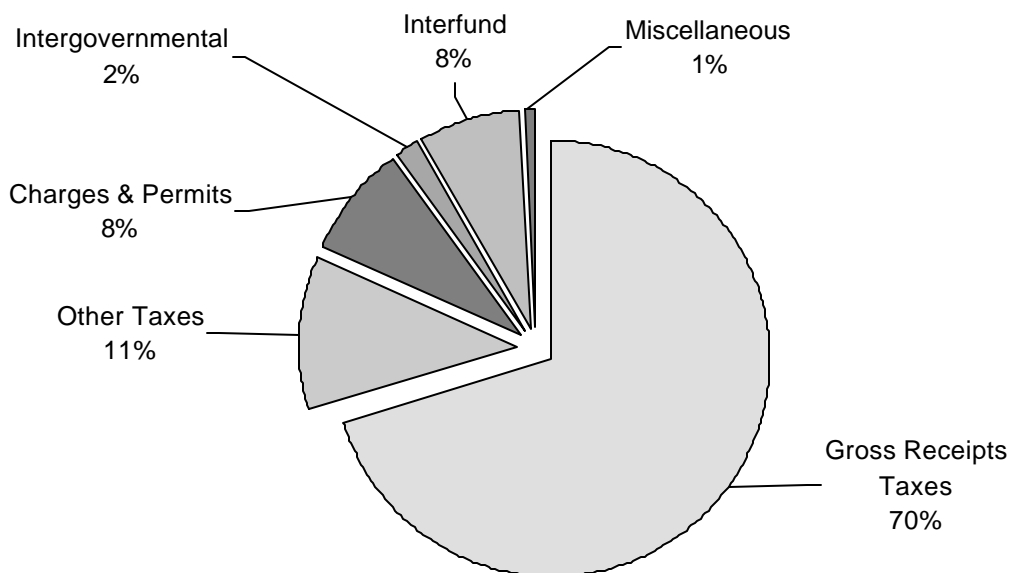
Intergovernmental assistance other than State-shared gross receipts tax revenues increases as

Bernalillo County pays for a full year for services at the new Crime Lab.

Increases in fees for services, licenses and permits will generate about \$4.1 million. Without the new fees proposed for FY/03, General Fund revenues would only grow by \$6.4 million or 2%. The proposed increases will help recoup some of the increased cost of providing services. The increases in general make Albuquerque's charges near the average charged by other governments in the region. A more complete list of changes in fees is listed below.

Charges for internal services will decline as the City reduces its direct provision of office services, building alterations, and surveying and engineering inspections. These services are available from the private sector and can reduce costs significantly. Indirect overhead increases by only \$109 thousand primarily from wage increases in the funds that pay indirect charges. CIP revenues will increase \$900 thousand to fund positions related to capital programs. The new positions covered are in park development, public works and oversight of quarter cent projects. Recurring interfund transfers are expected to remain relatively constant.

### FY/03 GENERAL FUND SOURCES OF REVENUE



## FEES AND CHARGES

### Parks and Recreational Services

Swimming fees were increased an average of 17%. Daily admission fees were increased 25 cents per swimmer for all classes but tots, which remains at a very low 25 cents. Passes and swimming lesson costs were raised proportionately.

Fees per team for sports will increase as follows:

Spring Softball	2.50
Summer Softball	55.00
Fall Softball	10.00
Flag Football	55.00
Basketball	62.50
Youth Baseball	5.00
Baseball	55.00

Tennis fees include an increase in court rentals of 50 cents and an increase of \$6 for lessons.

A fee of \$5 per player for scheduling practice fields for Soccer and YAFL.

APS billed at cost for water and maintenance on joint parks according to existing contract.

Surcharges on vendors and admissions at Balloon fiesta.

### Cultural Services

An additional admission fee of \$1 is charged to non-residents of New Mexico at the BioPark and the Albuquerque Museum.

### Family and Community Services

#### Child care fees

Eligible families on the lower end of the income eligibility scale will pay \$20/Week - an increase of \$5.00.

Eligible families on the higher end of the income eligibility scale will pay \$32/Week - an increase of \$7.00.

Non-Eligible families will continue to pay \$55/Week.

#### Latch key program

Income Eligible families will pay \$10/Week - previously no charge.

Non-Income Eligible Families will continue to pay \$20/ Week - no change.

All families will pay a "School Year" registration fee of \$10/Child - previously no registration fee was assessed.

#### Playground program

Income Eligible families will pay \$5/Week - previously no charge

Non-Income Eligible families will pay \$10/Week - previously no charge

All families will pay a "School Year" registration fee of \$10/Child - previously no registration fee was assessed.

Note: Income eligible families who participate in both Latch Key and Playgrounds are only assessed the Latch Key fees. (They may participate in the Playgrounds program at no additional cost.)

#### Summer program fee schedule

All day participation in the Summer Latch Key/Playground program will remain at \$20/Week.

Families participating in the mid-day program (9:00 AM to 3:00 PM) will pay \$10/Week - previously no charge.

All families will pay a "Summer Program" registration fee of \$10/Child - previously no registration fee was assessed.

#### Planning Department

Albuquerque Development Services Fees increased 10%.

This includes amendments to zoning, site development plans, sector development plan, variances, subdivision plats, fees associated with Landmarks and Urban Conservation Commission, and zoning enforcement.

#### Legal

Real property receives payment of 3% on transactions for buying lands for the Petroglyph National Monument. New division in the legal department will collect attorney fees as part of Nuisance abatement.

#### Convention Center

Preferred vendor contract for audio visual, security, and decorator services. Revenues are increased by collecting a fee for services provided to patrons and it will reduce the staff needed at the Center.

#### Environmental Health Department

##### Animal Services

Animal licenses (for altered animals) increased from \$4.00 to \$8.75.

Adoption fees increased to regional average from \$66 to \$82.

Animal reclaim fees increased \$10 per animal

Assess a late fee for licensing of \$7.00.

##### Consumer Health Protection

Restaurant and Food inspections merged and fees increased to regional averages. Fees are based on square footage, which is a common industry practice.

Institute a \$32 re-inspection fee.

#### **FY/02 REVENUE CHANGES**

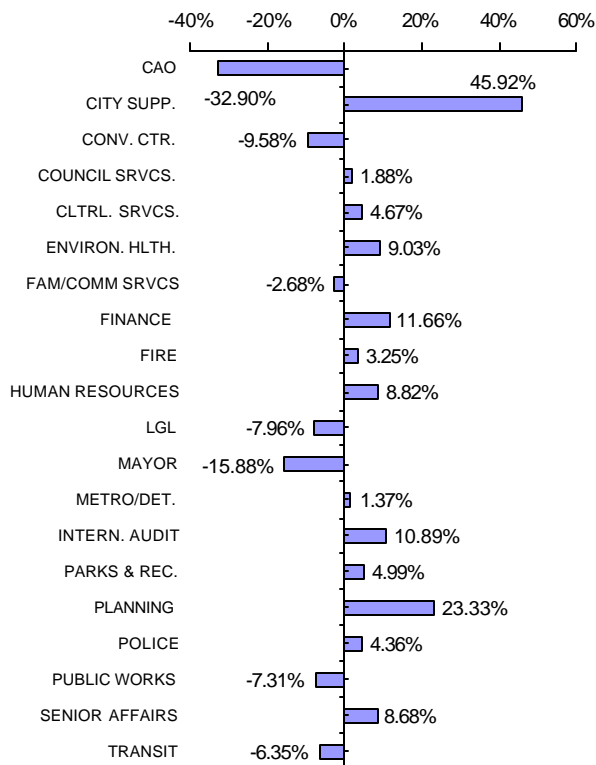
Revenue growth for gross receipts was adjusted down during the Five-Year Forecast. The economy slowed and actual revenues are close to expectations. At mid-year major changes were made in other revenues to offset in part the declines in gross receipts. Franchise revenues were adjusted down, as the natural gas franchise was not renegotiated. Cable franchise revenue was adjusted down by \$100 thousand to account for an FCC ruling that disallows franchises from cable Internet connections. The revenues from building permits

did not decline as expected, but were held at the same level as FY/01. Revenue from charges for services was slightly down from the Approved FY/02 Budget; strong receipts at the Convention Center offset weakness at the BioPark. An ambulance contract was not executed, resulting in a loss of revenue. Charges for surveying and inspections was down as well as fees for materials testing. Total estimated FY/02 General Fund revenue is \$327.7 million, \$800 thousand below the Approved FY/02 Budget..

## GENERAL FUND APPROPRIATIONS

General Fund appropriations are \$337.8 million. This is an increase of \$10.5 million or 3.2% over the budget as amended in mid-year. However, this is \$13.3 million or 4.1% over the FY/02 budget as approved. Departments were instructed to provide reductions and/or revenue increases for the FY/03 budget. Most departments proposed a reduction in staff positions. However, because the vacancy savings rate was significantly decreased and wage increases associated with union contracts were fully funded, many departments experienced an overall budget increase.

Percent Change in Department Appropriations  
FY/03 Proposed over FY/02 Mid-Year

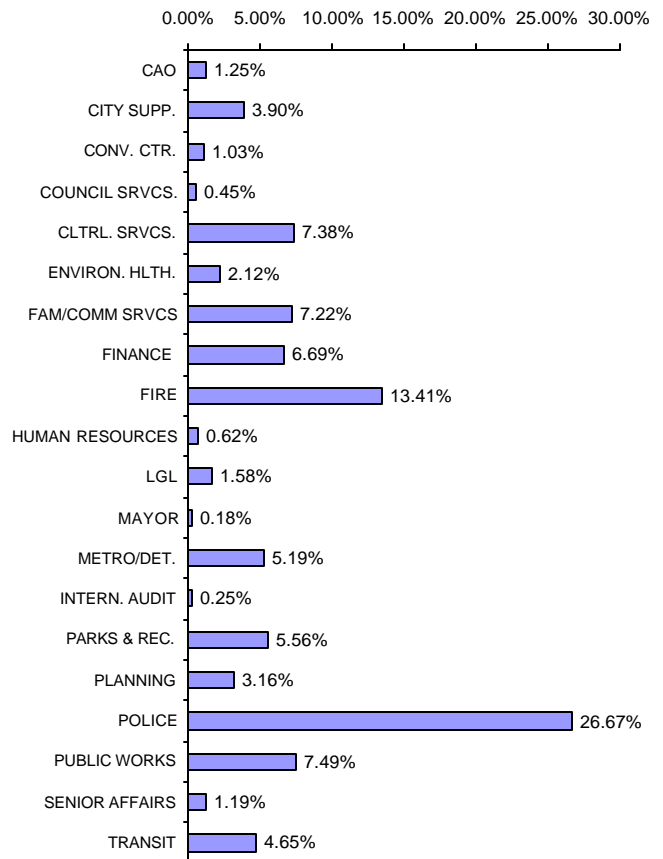


Recurring appropriations are \$334.5 million, and non-recurring appropriations are \$3.2 million. This puts the City in a favorable position in regards to matching recurring revenue to recurring appropriations. Recurring revenues are projected to be \$335.7 million, and non-recurring revenue is estimated to be \$2.5 million. With respect to elements the bond rating agencies examine, recurring revenue exceeds recurring appropriations and the integrity of the five percent reserve is

maintained with a reserve established at \$16.8 million.

The graph below presents the share of the General Fund appropriation for FY/03 received by each department. As can be seen, Police commands the largest portion of the City's General Fund at 27% to the total, followed by Fire at 13% and Family and Community Services, Cultural Services, Finance and Public Works all are at 7%. It is also interesting to note that the public safety departments (Police, Fire and Corrections) account for 3.9% of the total FY/03 General Fund appropriation increase of 4.1%.

Percent of Total General Fund FY/03 Proposed  
Appropriation



The City of Albuquerque has moved to performance budgeting, and now appropriates by program strategy and goal. Summaries of the City of Albuquerque goals are stated below. The following graph presents the share of all FY/03 appropriations by goal, including enterprise funds.

# GOALS

## **HUMAN & FAMILY DEVELOPMENT**

Provide multiple sources of support for human growth and development including quality education, recreation, affordable housing, and programs for physical and mental health, to enable people of all ages to fully participate in the economy and the community.

## **PUBLIC SAFETY**

Achieve communities where citizens feel safe and secure and there is a sense of trust and shared responsibility for maintaining a safe environment.

## **PUBLIC INFRASTRUCTURE**

Ensure that all existing communities are adequately and efficiently served with well-planned, coordinated, and maintained sewer, storm, water and road systems and an integrated multi-modal regional transportation system.

## **SUSTAINABLECOMMUNITY DEVELOPMENT**

Guide growth to protect the environment and create livable, sustainable communities throughout Albuquerque.

## **ENVIRONMENTAL PROTECTION & ENHANCEMENT**

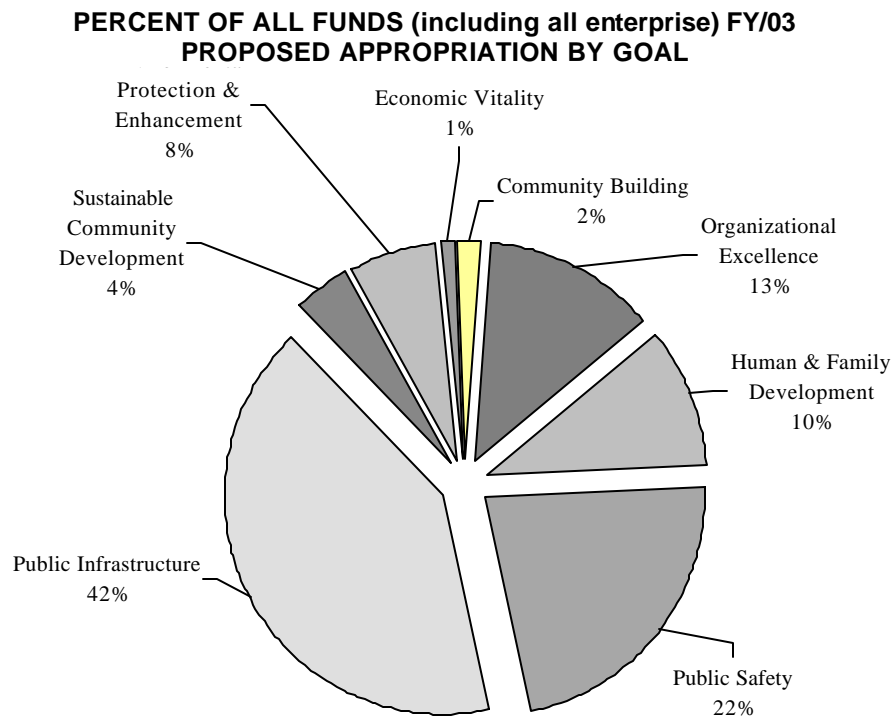
Protect and enhance Albuquerque's places and natural environment its mountains, river, bosque, volcanoes, arroyos, clean air and underground water supply.

## **ECONOMIC VITALITY**

Provide a vital economy in which businesses have opportunities for growth and all Albuquerque residents have opportunities for rising wealth and prosperity.

## **COMMUNITY BUILDING**

Foster community identity, pride and cohesion, encourage involvement and responsibility for the well being of the community among citizens, and provide opportunities for everyone to learn about, experience and appreciate diverse cultures.







## FINANCIAL CONSOLIDATIONS



## FINANCIAL CONSOLIDATIONS

The City of Albuquerque's operating budget appropriates monies in 34 funds divided into five types. In addition, estimated information on grant funds is provided although not appropriated. Appropriation bills for grants are introduced to Council as grants arise.

Individual funds are established for specific purposes and operate as separate entities. However, there are large numbers of financial transactions between these funds. Some transactions are arms length, such as the payment in lieu of taxes (PILOT) and indirect overhead, which the enterprise funds pay to the General Fund. Enterprises are expected to function like a private business requiring payment of taxes. In addition, central services such as purchasing, payroll, accounting, and computer access are provided by the General Fund to all other funds in the City. These costs are charged to the enterprise through indirect overhead.

City policy requires that all positions be funded in an operating fund. Thus, employees hired to do construction projects financed by General Obligation Bonds are funded in the General Fund and the capital program remits payment to the General Fund.

Transfers between funds occur for a wide variety of reasons. Funding is transferred from the appropriate operating fund to the corresponding debt service fund. A city match for grant funds is transferred from the General Fund. Transfers are recorded to cover subsidies for those funds that require subsidy from the General Fund to continue operations such as Transit and Parking. Some funds are set up to record financial transactions that are shared between two separate government bodies. This requires a transfer to appropriate the money in the General Fund as well as in the resident fund.

Total dollars involved in such transactions are quite large. Because they are appropriated in more than

one fund, they are counted twice inflating the total expenses and revenues of the City. Just as the expenses are counted twice, so also are revenues, since the funds receiving the transfers treat such transfers as revenue. This overstates the City's total appropriations and revenues. There are three types of tables over a four year period. They include three years of actual and two years of budget consolidations.

The consolidations in the following pages prevent the distortion by eliminating interfund transactions. The first two sets of tables deal with the total city budget. The first column is the combined city total for all funds and fund groups after all eliminations. The second column shows the total amount that has been eliminated. The third column is the total as appropriated prior to eliminations. This is followed by the six fund groups as the appropriation bill will read, with the exception of the group called Special Funds Not in the General Appropriation Bill. The General Fund is the fourth column from the left.

The third set of tables cover the different fund groups. There are six fund groups in this budget. The General Fund accounts for general government functions and is supported primarily by taxes. The two special fund tables have specific revenue sources and limitations on their use. Many of these are grants from other governmental agencies. The City budget separates them based on whether it is possible to appropriate them in this document or if they must be appropriated at a later time due to timing issues with the grantor. Debt Service funds provide for the reservation of monies for the payment of interest and principal on outstanding debt obligations. Enterprise funds account for services provided and paid for by rates and user fees. Internal service funds service the City and other governmental agencies and receive all revenue from those agencies.

Individual fund tables that support these financial consolidations are located in the budget highlights by fund section.

**COMBINED REVENUES BY FUND GROUP AND SOURCE - FY/03**

(000's)

	TOTAL	INTERFUND ELIMINATION	COMBINED TOTAL	GENERAL FUND	SPECIAL REV FUNDS IN GENERAL APPROP ACT	SPECIAL REV FUNDS NOT IN GEN APPROP ACT	DEBT SERVICE FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
TAXES:									
PROPERTY	80,410	0	80,410	16,350	0	0	64,060	0	0
GROSS RECEIPTS	92,783	0	92,783	92,783	0	0	0	0	0
OTHER	29,178	0	29,178	16,223	12,955	0	0	0	0
TOTAL TAXES	202,371	0	202,371	125,356	12,955	0	64,060	0	0
LICENSES & PERMITS	12,124	0	12,124	10,189	1,935	0	0	0	0
INTERGOVERNMENTAL REVENUES:									
FEDERAL GRANTS	51,698	0	51,698	0	0	51,698	0	0	0
COUNTY	20,357	0	20,357	700	18,695	0	0	880	82
STATE SHARED REVENUE:									
GROSS RECEIPTS	144,604	0	144,604	144,604	0	0	0	0	0
CIGARETTE	890	0	890	600	290	0	0	0	0
OTHER SHARED REVENUE	6,070	0	6,070	4,138	0	1,932	0	0	0
STATE GRANTS	10,619	0	10,619	70	2,221	8,328	0	0	0
TOTAL STATE SHARED	162,183	0	162,183	149,412	2,511	10,260	0	0	0
TOTAL INTERGOVERNMENTAL	234,238	0	234,238	150,112	21,206	61,958	0	880	82
CHARGES FOR SERVICES	21,463	0	21,463	18,393	1,388	1,577	0	0	105
FINES AND FORFEITS	40	0	40	40	0	0	0	0	0
MISCELLANEOUS	20,167	0	20,167	2,729	835	1,320	1,165	13,160	958
ENTERPRISE REVENUES:									
AVIATION	58,862	0	58,862	0	0	0	0	58,862	0
JOINT WATER & SEWER	123,254	0	123,254	0	0	0	0	123,254	0
PARKING FACILITIES	3,978	0	3,978	0	0	0	0	3,978	0
REFUSE DISPOSAL	39,477	0	39,477	0	0	0	0	39,477	0
TRANSIT	2,939	0	2,939	0	0	0	0	2,939	0
GOLF	4,375	0	4,375	0	0	0	0	4,375	0
TOTAL ENTERPRISE	232,885	0	232,885	0	0	0	0	232,885	0
INTERFUND/INTERNAL SERVICE:									
INTERNAL SERVICE	66,713	0	66,713	1,875	0	0	0	0	64,838
ADMINISTRATIVE O/H (a)	11,260	(10,892)	22,152	22,152	0	0	0	0	0
TRANSFERS (a)	8,843	(55,606)	64,449	1,561	26,643	4,042	10,045	22,158	0
PILOT	0	(5,806)	5,806	5,806	0	0	0	0	0
TOTAL INTRFD/INT SERV	86,816	(72,304)	159,120	31,394	26,643	4,042	10,045	22,158	64,838
TOTAL CURRENT RESOURCES	810,104	(72,304)	882,408	338,213	64,962	68,897	75,270	269,083	65,983
APPROPRIATED FUND BALANCE	22,517	0	22,517	68	221	(39)	10,248	13,070	(1,051)
ADJUSTMENTS TO FUNDS	2,480	0	2,480	(500)	0	0	0	2,980	0
GRAND TOTAL	835,101	(72,304)	907,405	337,781	65,183	68,858	85,518	285,133	64,932

(a) Remaining administrative O/H and transfers are from capital and other funds not included in this consolidation

**COMBINED APPROPRIATIONS BY FUND GROUP AND DEPARTMENT, FISCAL YEAR 2003**  
**(\$000's)**

	TOTAL	INTERFUND ELIMINATION	COMBINED TOTAL	GENERAL FUND	SPECIAL FUNDS IN GENERAL APPROP ACT	SPECIAL FUNDS NOT IN GEN APPROP ACT	DEBT SERVICE FUNDS	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS
AVIATION	70,084	(21,154)	91,238	0	0	0	0	91,238	0
CHIEF ADMINISTRATIVE OFFICE	8,464	(4,232)	12,696	4,232	8,464	0	0	0	0
CITY SUPPORT	93,516	(5,179)	98,695	13,177	0	0	85,518	0	0
CONVENTION CENTER	3,491	0	3,491	3,491	0	0	0	0	0
CORRECTIONS AND DETENTION	36,046	(19,118)	55,164	17,539	37,625	0	0	0	0
COUNCIL SERVICES	1,518	0	1,518	1,518	0	0	0	0	0
CULTURAL SERVICES	25,610	0	25,610	24,941	616	53	0	0	0
ENVIRONMENTAL HEALTH	10,916	(99)	11,015	7,161	1,992	1,862	0	0	0
FAMILY AND COMMUNITY SERVICES	78,453	0	78,453	24,400	0	54,053	0	0	0
FINANCE AND ADMINISTRATIVE SERVICES	45,118	(8,418)	53,536	22,604	5,754	0	0	0	25,178
FIRE	46,112	0	46,112	45,285	800	27	0	0	0
HUMAN RESOURCES	32,634	(198)	32,832	2,098	0	0	0	0	30,734
LEGAL	5,322	0	5,322	5,322	0	0	0	0	0
MAYOR	604	0	604	604	0	0	0	0	0
OFFICE OF INTERNAL AUDIT	835	0	835	835	0	0	0	0	0
PARKS AND RECREATION	24,568	(2,938)	27,506	18,793	3,642	476	0	4,595	0
PLANNING	10,698	0	10,698	10,668	0	30	0	0	0
POLICE	95,492	0	95,492	90,098	0	5,394	0	0	0
PUBLIC WORKS	173,131	(44,116)	217,247	25,305	6,290	0	0	176,632	9,020
SENIOR AFFAIRS	9,601	0	9,601	4,008	0	5,593	0	0	0
SOLID WASTE MANAGEMENT	36,796	(7,643)	44,439	0	0	92	0	44,347	0
TRANSIT AND PARKING	26,481	(20,839)	47,320	15,702	0	1,278	0	30,340	0
INDIRECT O/H ON OPERATING GRANTS	(389)	(389)	0	0	0	0	0	0	0
TOTALS	835,101	(134,323)	969,424	337,781	65,183	68,858	85,518	347,152	64,932
ENTERPRISE INTERFUND DEBT SERVICE	0	62,019	(62,019)	0	0	0	0	(62,019)	0
GRAND TOTAL	835,101	(72,304)	907,405	337,781	65,183	68,858	85,518	285,133	64,932

**CONSOLIDATED REVENUES, APPROPRIATIONS AND FUND BALANCES, APPROVED FY/03**

**(000's)**

FUND GROUP	FUND NUM FUND	EST BALANCE JUN 30, 2002.	ESTIMATED REVENUE	APPRO- PRIATION a	INTERFUND TRANSACTION a	FUND BAL ADJUSTMENT	SURPLUS (DEFICIT)	EST BALANCE JUN 30, 2003
GENERAL	110 GENERAL	17,873	320,006	291,695	(27,879)	(500)	(68)	17,805
SPECIAL	210 FIRE	59	781	800	0	0	(19)	40
FUNDS	215 RECREATION	32	290	0	(300)	0	(10)	22
INCLUDED	220 LODGER'S TAX	186	8,378	4,232	(4,232)	0	(86)	100
IN GENERAL	225 CULTURE/REC SPECIAL PROJECTS	710	304	236	0	0	68	778
APPROPR-	235 ALB BIOPARK PROJECTS	361	380	380	0	0	0	361
IATION	242 AIR QUALITY	679	1,935	1,893	(99)	0	(57)	622
	260 CORRECTIONS AND DETENTION	7	19,994	36,046	16,050	0	(2)	5
	282 GAS TAX ROAD FUND	150	4,591	5,051	410	0	(50)	100
	285 CITY/COUNTY PROJECTS	426	193	91	(82)	0	20	446
	290 CITY/COUNTY FACILITIES	152	1,243	2,512	1,217	0	(52)	100
	292 PLAZA DEL SOL BUILDING	30	145	715	565	0	(5)	25
	730 VEHICLE/COMPUTER PROJECTS	161	0	1,500	1,500	0	0	161
	851 OPEN SPACE EXPENDABLE TRUST	129	1,414	3,342	1,900	0	(28)	101
	SUBTOTAL	3,082	39,648	56,798	16,929	0	(221)	2,861
SPECIAL	205 COMMUNITY DEVELOPMENT (b)	(455)	11,398	11,398	(10)	0	(10)	(465)
FUNDS	265 OPERATING GRANTS (b)	(3,655)	24,261	27,845	3,663	0	79	(3,576)
EXCLUDED	280 LAW ENFORCEMENT PROJECTS (b)	238	1,030	1,030	0	0	0	238
IN GENERAL	805 HOUSING PROGRAM (b)	9,824	28,166	28,196	0	0	(30)	9,794
APPROPR-	SUBTOTAL	5,952	64,855	68,469	3,653	0	39	5,991
NON-	405 SALES TAX DEBT SERVICE	1,433	1,187	9,680	7,763	0	(730)	703
ENTERPRIS	415 GENERAL OBLIGATION BOND DEBT SERV	15,975	65,010	74,429	0	0	(9,419)	6,556
SERVICE	435 CITY/COUNTY BUILDING DEBT SERVICE	588	15	1,409	1,295	0	(99)	489
	SUBTOTAL	17,996	66,212	85,518	9,058	0	(10,248)	7,748
ENTERPRIS	611 AVIATION OPERATING	6,643	59,062	37,737	(21,154)	0	171	6,814
	615 AIRPORT REVENUE BOND DEBT SERVICE	13,547	855	32,347	20,000	2,980	(8,512)	5,035
	621 JOINT WATER AND SEWER OPERATING	10,752	106,904	67,414	(40,405)	0	(915)	9,837
	622 SUSTAINABLE WATER SUPPLY OPERATING	5,440	18,110	16,800	(1,531)	0	(221)	5,219
	631 JNT WATER/SEWER REV BOND DEBT SERV	9,711	10,985	49,981	35,496	0	(3,500)	6,211
	641 PARKING FACILITIES OPERATING	397	3,978	2,675	(1,519)	0	(216)	181
	645 PARKING FACILITIES DEBT SERVICE	391	223	0	(614)	0	(391)	0
	651 REFUSE DISPOSAL OPERATING	4,337	39,642	32,247	(7,643)	0	(248)	4,089
	655 REFUSE DISPOSAL SYSTEM DEBT SERV	544	50	4,457	4,375	0	(32)	512
	661 TRANSIT OPERATING	(335)	9,141	22,509	13,967	0	599	264
	681 GOLF OPERATING FUND	156	4,445	3,509	(738)	0	198	354
	685 GOLF OPERATING DEBT SERVICE	50	5	348	340	0	(3)	47
	SUBTOTAL	51,633	253,400	270,024	574	2,980	(13,070)	38,563
INTERNAL	705 RISK MANAGEMENT	7,510	25,001	22,670	(910)	0	1,421	8,931
SERVICE	715 MATERIALS/SUPPLIES INV MANAGEMENT	116	630	532	(201)	0	(103)	13
	725 FLEET MANAGEMENT	216	9,549	8,229	(791)	0	529	745
	735 EMPLOYEE INSURANCE	2,006	29,642	30,132	(198)	0	(688)	1,318
	745 COMMUNICATIONS MANAGEMENT	160	1,161	1,034	(235)	0	(108)	52
	SUBTOTAL	10,008	65,983	62,597	(2,335)	0	1,051	11,059
	TOTAL ALL FUNDS	106,544	810,104	835,101	0	2,480	(22,517)	84,027

(a) Transfers between funds have been eliminated from Estimated Revenues and Appropriations.

(b) These funds are appropriated by separate resolutions.

**GENERAL FUND 110**

**(000's)**

	ACTUAL FY/00	ACTUAL FY/01	APPROVED BUDGET FY/02	ESTIMATED ACTUAL FY/02	PROPOSED BUDGET FY/03	CHANGE 02-03
<b>RESOURCES:</b>						
Recurring Revenue	297,584	314,044	327,554	324,305	335,695	11,390
% Change Recurring Revenue	0.4%	0.4%	4.3%	-1.0%	3.5%	---
Non-recurring Revenue						
Tax Amnesty Program	2,300	0	0	0	0	0
Miscellaneous	200	1,345	907	3,407	2,518	(889)
Vehicle Replacement Trfr	<u>0</u>	<u>2,174</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Non-recurring Revenue	<u>2,500</u>	<u>3,519</u>	<u>907</u>	<u>3,407</u>	<u>2,518</u>	<u>(889)</u>
TOTAL REVENUES	300,084	317,563	328,461	327,712	338,213	10,501
BEGINNING FUND BALANCE	<u>19,262</u>	<u>20,174</u>	<u>15,698</u>	<u>15,698</u>	<u>17,873</u>	<u>2,175</u>
TOTAL RESOURCES	<u>319,346</u>	<u>337,737</u>	<u>344,159</u>	<u>343,410</u>	<u>356,086</u>	<u>12,676</u>
<b>EXPENDITURES/APPROPRIATIONS:</b>						
Recurring Expenditures/Appropriations	297,429	314,815	323,055	323,503	334,543	11,040
Recurring % Change	0.3%	5.8%	2.6%	0.1%	3.4%	---
Non-recurring Expend/Appropriations	<u>3,394</u>	<u>5,968</u>	<u>1,462</u>	<u>3,784</u>	<u>3,238</u>	<u>(546)</u>
Total Non-recurring Expend/Appropriations	<u>3,394</u>	<u>5,968</u>	<u>1,462</u>	<u>3,784</u>	<u>3,238</u>	<u>(546)</u>
TOTAL EXPENDITURES/APPROPRIATIONS	<u>300,823</u>	<u>320,783</u>	<u>324,517</u>	<u>327,287</u>	<u>337,781</u>	<u>10,494</u>
<b>ADJUSTMENTS:</b>						
Changes in Reserves:						
Encumbrances	752	877	0	2,400	0	(2,400)
Estimated Adjustment for Taxes Receivable	930	(1,707)	(1,200)	(650)	(500)	150
Unrealized Gains on Investments	0	(338)	0	0	0	0
Inventory and Other Accounting Adjustment	<u>(31)</u>	<u>(88)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ADJUSTMENTS	<u>1,651</u>	<u>(1,256)</u>	<u>(1,200)</u>	<u>1,750</u>	<u>(500)</u>	<u>(2,250)</u>
ENDING FUND BALANCE	<u>20,174</u>	<u>15,698</u>	<u>18,442</u>	<u>17,873</u>	<u>17,805</u>	<u>(68)</u>
<b>RESERVES:</b>						
Reserve for Corrections/Detention	0	0	1,200	0	1,000	1,000
Operating Reserve	<u>14,879</u>	<u>15,549</u>	<u>16,378</u>	<u>16,161</u>	<u>16,785</u>	<u>624</u>
TOTAL RESERVES	14,879	15,549	16,378	16,161	17,785	624
UNRESERVED FUND BALANCE	<u>5,295</u>	<u>149</u>	<u>864</u>	<u>1,712</u>	<u>20</u>	<u>(1,692)</u>





## **REVENUE ANALYSIS**



## ECONOMIC OUTLOOK

The local budget is affected by economic factors at the national and local levels. The condition of the economy impacts growth in gross receipts taxes, construction and other business related taxes. Inflation, driven by national and worldwide events effects growth in revenues as well as in the cost of workers and materials. International occurrences can also impact the local economy. The financial crisis in Asia in 1998 reduced exports of semiconductor material produced locally. This had a dramatic impact on the local electronics manufacturers and slowed employment growth and incomes in Albuquerque.

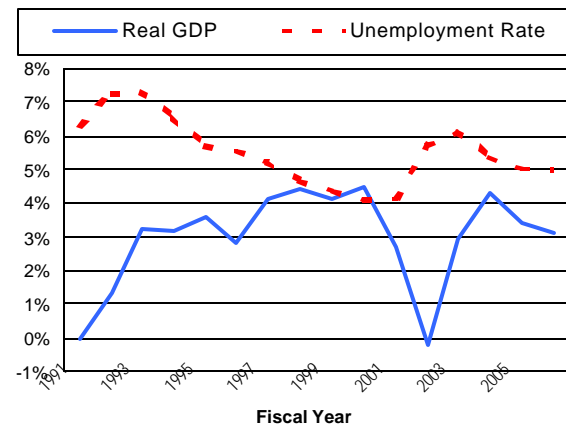
The following section reviews the outlook for the national and local economy providing a basis for the revenue forecasts. Table A provides comparisons of forecasts for some key economic variables. Table B provides more detailed information on Albuquerque employment by sector.

### National Economy

The record expansion is now over. The economy grew from 1991 to 2001 and is now officially in a recession. The terrorist attacks of September 11<sup>th</sup> had a strong negative impact on the economy helping to push the economy into recession. The Data Resources International-Wharton Econometric Forecasting Association-(DRI-WEFA) baseline forecast anticipated a recession in the third and fourth quarter of 2001 continuing into the first quarter of 2002. The first three quarters for FY/02, are forecast to average -0.2% with positive growth only in the final quarter of FY/02. Recovery will take place in FY/03 with growth of 2.9%. After increasing to above 4% in FY/04, growth in FY/05 and beyond will remain around 3.5%. Inflation will be moderate with reductions in demand and productivity increases holding prices down. The probability of the baseline scenario is 55% with alternatives of a pessimistic scenario given a 30% and optimistic scenario having a 15% possibility. Discussion of the Alternative Scenarios is in the section on Alternative Forecasts. Although the economy is clearly in a recession, it is not expected to be a long recession.

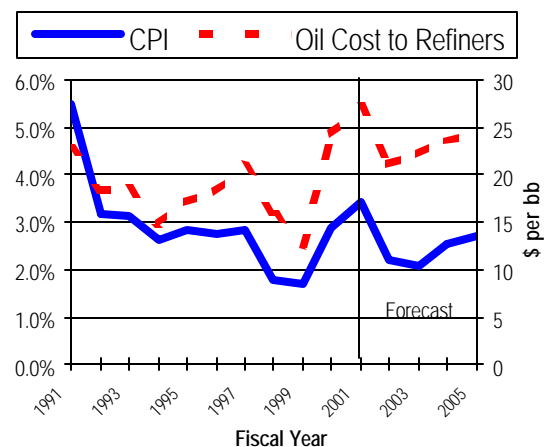
### Unemployment

As the economy has moved into a recession, unemployment has jumped from the historically low rates of around 4% experienced from FY/99 to FY/01. In November 2001 unemployment was reported at 5.7%. DRI-WEFA anticipates that this rate will climb to 6.4% in 3<sup>d</sup> quarter of 2002. Declines in unemployment lag the recovery in GDP and fall to a long-term level of around 5%.



### Inflation

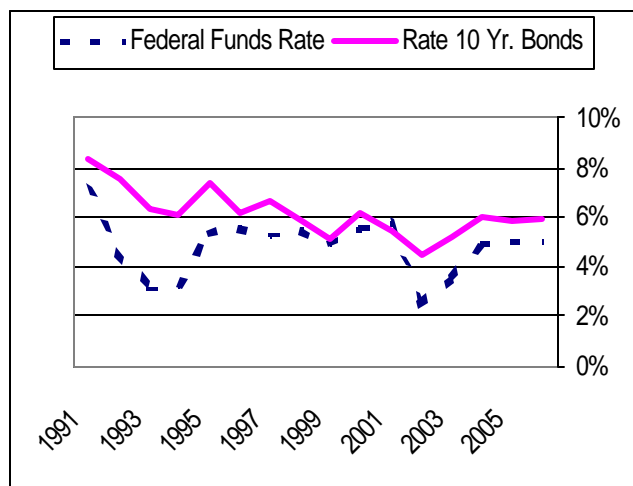
Inflation was 3.4% in FY/01 with the weak economy it is expected to decline to 1.8% in FY/02. DRI-WEFA forecasts moderate increases of 2% to 2.5% per year for the remainder of forecast. Part of the reason for this is lower oil prices. After spiking in FY/01 oil prices have declined. DRI-WEFA expects oil prices to average \$21 per barrel in FY/02 slowly increasing to \$25 by FY/06. Inflation excluding



food & energy doesn't decline as much with rates holding around 2.5%. Productivity growth continues to hold down wage pressures.

## Interest Rates

The Federal Reserve Board has cut rates 11 times for a 4.75% reduction in the past year. The Federal Fund Rate declined from 6.5% to a target of 1.75%. The forecast has rates bottoming out in FY/02 and then increasing up to 5%. The longer-term rate of the 10-year note declined from about 6.5% to 4.2%. These rates are expected to average around 6% in the long run. The federal government has discontinued the 30-year bond.



The current recession is expected to be relatively mild, but there are risks that could make it more severe. The DRI WEFA forecast has assumed that Congress would pass a stimulus package. They have dragged their feet on this and on completing the fiscal 2002 budget. Additionally, the terrorist attacks have hit consumer spending, along with worries of job losses. The impact of terrorism on consumer

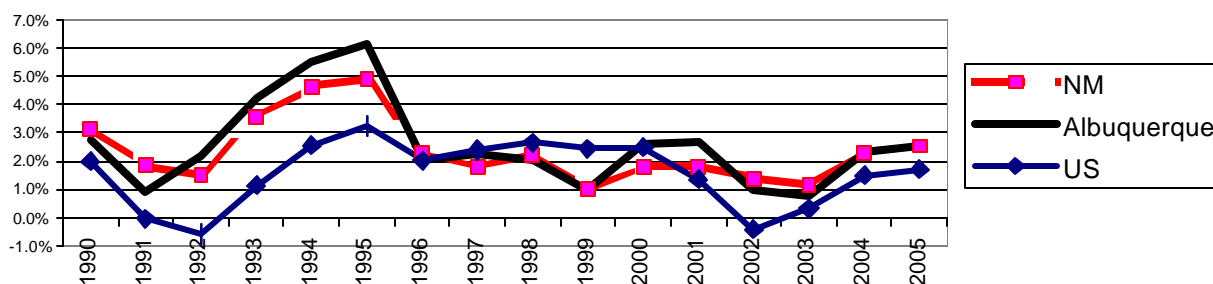
confidence is still an unknown. Finally, the recession in the U.S. is occurring at a time when economies of much of the rest of the world are also weak. The 1991 recession was limited to some extent by the strong economies of Europe, Japan and the emerging economies. These factors could make the recession last longer, or be deeper.

## Albuquerque Economy and Comparisons to the National Economy

The impacts of the economic slowdown have affected Albuquerque. The unemployment rate increased 1.6% in the last 12 months to 5.1% in October 2001. In FY/00 and FY/01 growth in non-agricultural employment was 2.6% and 2.7% respectively. Toward the end of FY/01 the economy faltered. With slowdowns in manufacturing driven by the national economy growth rates for FY/02 are forecast at 1%. The forecast for FY/03 is only 0.8% annual growth. The slow growth in FY/03 is in large part due to the loss of around 3,000 construction jobs as the Big-I is completed and Intel completes their \$2 billion expansion. Even with this Albuquerque is still growing faster than the U.S. through the forecast period and growth increases to between 2.3% and 2.5% for the remainder of the forecast.

From FY/97 to FY/00, the U.S. economy generally out performed the New Mexico and Albuquerque economies. The following chart shows how in FY/00 Albuquerque employment growth finally surpassed the U.S. average. Albuquerque had lagged the U.S. economy in large part because of weaknesses in the semiconductor industry and reductions at Sandia Labs. Also, the U.S. economy was growing at historically high rates. Unfortunately, this growth was somewhat short-lived. The recession in the U.S. began affecting the semiconductor industry causing layoffs and slow downs.

**Comparison of Employment Growth  
by Fiscal Year**



### Sectors in Albuquerque Economy

The largest sectors in the Albuquerque Economy are Trade (retail and wholesale) and Services. These sectors account for more than half the employment—about 56% in 1999. These sectors accounted for about 75% of the taxable gross receipts generated in the City. A table at the end of this section provides sector employment numbers for FY/99 to FY/06.

**Retail Trade** Employment growth in the retail trade sector was limited in FY/99-FY/00. One factor was the closing of Fulcrum Direct and loss of about 1,000 employees. Additionally, there were some reclassifications from retail trade to other sectors reducing sector employment and growth. In FY/01 growth was 2.4%, but is already slowing. The Bureau of Business and economic Research (BBER) expects growth in FY/02 and FY/03 to remain weak at about 1.1% and 0.8% respectively.

**Services** Growth in the services industry in FY/01 was 2.7%, but the forecast for FY/02 is 1.4%. This increases in FY/03 to 2.6% and remains around 3% for the remainder of the forecast services is a very broad based sector including: Lodging; personal, business, repair, amusement and recreation, health, engineering and management services (including Sandia National Labs); motion pictures; and membership organizations. The jobs vary from unskilled minimum wage jobs to highly paid professionals.

An important subcategory of the services sector is Health Services. Albuquerque is a regional center for medical services and draws people throughout the area. FY/01 saw no growth in employment in this sector, in part due to changes in Medicare reimbursement policies. Sun Healthcare's filing of bankruptcy in October of 1999 has also added to

slow growth in this sector. Growth is expected to return to higher levels of 2% in FY/02.

Tourism is represented in a number of sectors. September 11<sup>th</sup> hit the lodging industry hard across the country. The Lodger's tax receipts in the City declined by nearly 10% in September compared to the previous year. In October, the month of the Albuquerque International Balloon Fiesta, Lodger's tax receipts were down 2%. While substantial, the gains in Lodger's tax have been small in the past few years and cumulative year to date the tax is only slightly down from previous years. Employment growth in the lodger's sub sector is forecast to slow from 4.5% in FY/01 to 2.2% in FY/02, but doesn't decline, in large part due to the number of hotels built.

**Construction.** Construction is typically cyclical, with large swings in building and employment. In 2000, single-family housing was somewhat slower, but there was a spurt in non-residential construction including several large City of Albuquerque projects. In 2001, single-family construction exceeded the 2000 levels by 23% and the number of multi-family units permitted is up. Although Multi-family housing is up from 2000, it remains relatively low. On the non-residential side, construction slowed substantially in 2001 with a decline in new value permitted of nearly 30%. In real terms total value of new permits was up nearly 5%. Another large source of building permits is additions and alterations. This category includes expansions and renovations. The Philips expansion—the largest project permitted over the past several years—is not included in the new construction, but in the additions and alterations numbers. With the inclusion of the value of

additions and alterations in the total value of permits in 2001 was equal to 2000. In real terms there was a slight decline. While there is room for optimism, there is still concern of a return to a construction cycle as in the past.

### **Rest of New Mexico**

Approximately 65% of all non-agricultural jobs are in Albuquerque, Santa Fe and Las Cruces MSA. The remainder of New Mexico is relatively rural and has no areas classified as metropolitan areas. These areas have been dependent on extractive industries, (mining, logging, oil and gas), tourism, military and other government employment.

Extractive Industries. The extractive industries in the state, with the exception of Oil and Gas have been in decline for a number of years. Uranium, Molybdenum, Potash, have diminished substantially. Additionally, years of depressed copper prices have put copper mining at risk. Phelps Dodge will lay off 400 workers in the Silver City area. Layoffs hit an additional 250 workers—classed as manufacturing—at copper smelters. Coal mining has gone up and down, particularly in the Raton area where mines have been closed and reopened several times.

High-energy prices had helped oil and gas producers in 2000 and the beginning of 2001. As prices have fallen, producers will again reduce the number of drilling rigs. Most oil in New Mexico has relatively high extraction costs. As oil declines to near \$20 per barrel, oil production will slow in New Mexico. DRI-WEFA forecasts prices going up some, which will help New Mexico producers. Natural Gas will continue to be the most profitable extractive industry in the state

Call Centers. Albuquerque has had rapid growth in its call centers. Now with a push to help rural New Mexico there are call centers opening in the non-metro areas.

Employment in the construction sector has been very strong in the MSA, driven in large part by the Intel project and the BIG-I reconstruction project. These projects will be complete in June of 2002. The beginning of FY/03 will see a large downturn in construction employment. BBER forecasts a reduction of 12.5% or over 3,000 construction jobs in FY/03.

### **Metro Areas Outside of Albuquerque**

As mentioned above the defined metro areas in the state are Albuquerque, Las Cruces and Santa Fe. Las Cruces growth has been strong with nonagricultural employment increasing 4% in the second quarter of 2000. Their economy has picked up some manufacturing, but the primary strength in this economy is trade, services and government. Las Cruces has also benefited from call centers. Santa Fe employment is growing at approximately 2% with moderate growth expected in the near future. The strengths in the Santa Fe economy are services, local government, trade, and finance /insurance/ real estate.

**TABLE A**  
**THE CHANGING ECONOMIC ASSUMPTIONS UNDERLYING THE REVENUE ESTIMATES**

Fiscal Year	2001			2002			2003	
	Mar-01	Nov-01	Mar-02	Mar-01	Nov-01	Mar-02	Nov-01	Mar-02
<b>NATIONAL ECONOMY:</b>								
% Chg Real GDP	3.8%	2.7%	3.8%	2.6%	-0.2%	0.5%	2.9%	2.5%
% Chg U.S. Personal Income	5.4%	6.6%	6.6%	4.2%	3.1%	3.2%	4.0%	4.5%
% Chg Non-Agric Employment	1.4%	1.4%	1.4%	0.6%	-0.4%	-0.5%	0.3%	0.7%
U.S. Unemployment Rate	4.2%	4.2%	4.2%	5.0%	5.7%	5.5%	6.1%	6.0%
% Chg CPI-U	3.3%	3.4%	3.4%	2.5%	2.2%	1.9%	2.1%	2.4%
Federal Funds Rate	5.9%	5.8%	5.8%	4.8%	2.5%	2.3%	3.6%	2.9%
Ave. Refiners' Acquisition Price Price for Crude Oil	\$ 27.10	\$ 27.19	\$ 27.19	\$ 21.70	\$ 21.08	\$ 19.82	\$ 22.18	\$ 21.21
<b>NEW MEXICO ECONOMY:</b>								
% Chg NM Personal Income	5.9%	5.5%	6.1%	5.3%	4.8%	5.1%	3.5%	4.9%
% Chg NM Non-Agric Employment	2.1%	1.8%	2.2%	2.2%	1.4%	0.8%	1.1%	1.2%
NM Unemployment Rate	4.9%	5.3%	4.7%	5.1%	6.2%	5.3%	6.9%	5.8%
<b>ALBUQUERQUE MSA ECONOMY:</b>								
% Chg Albq Personal Income	6.5%	5.4%	5.5%	4.9%	3.6%	3.6%	4.2%	4.3%
% Chg Albq Non-Agric Employ	3.0%	2.7%	2.6%	2.3%	1.0%	0.3%	0.8%	1.0%
% Change in Albq Const Employ	9.3%	9.6%	10.4%	0.6%	1.0%	-3.7%	-12.5%	-7.4%
Albq Unemployment Rate	3.5%	3.7%	3.2%	4.1%	4.8%	4.3%	5.3%	4.7%
City Housing Authorizations (Units)								
Single Family Residential	3,318	3,813	3,812	3,322	3,904	4,095	3,602	4,150
Multi-Family Residential	297	758	758	499	669	653	467	447

Source: National projections from the March 2001, November 2001 and January 2002 Baseline Forecast of the WEFA Group. Local projections are provided by University of New Mexico, Bureau of Business and Economic Research, Economic Forecasting Service Forecast Reports for the same periods.

TABLE B  
Albuquerque MSA Employment (1,000s)

	Historical			Forecast				
	1999	2000	2001	2002	2003	2004	2005	2006
Non-Agricultural	340.18	349.15	358.59	362.05	364.83	373.37	382.77	391.67
Retail Trade	64.43	65.15	66.71	67.42	67.93	69.63	71.65	73.18
Services	108.33	112.48	115.56	117.16	120.18	123.84	127.45	131.29
Manufacturing	27.14	27.18	28.34	27.98	28.54	28.70	28.70	28.66
Construction	21.22	22.19	24.32	24.56	21.49	22.09	23.09	24.02
Government	66.03	67.05	67.69	68.51	69.82	71.05	72.24	73.46
TCU	17.80	19.58	19.98	20.34	20.63	21.18	21.88	22.51
FIRE	18.42	18.76	18.93	19.20	19.39	19.88	20.58	21.23
Military	7.49	7.36	7.14	7.02	7.02	7.01	7.01	7.16
Employment Growth Rates								
Non-Agricultural	1.0%	2.6%	2.7%	1.0%	0.8%	2.3%	2.5%	2.3%
Retail Trade	-0.8%	1.1%	2.4%	1.1%	0.8%	2.5%	2.9%	2.1%
Services	2.0%	3.8%	2.7%	1.4%	2.6%	3.0%	2.9%	3.0%
Manufacturing	-7.9%	0.1%	4.3%	-1.3%	2.0%	0.6%	0.0%	-0.1%
Construction	-2.2%	4.6%	9.6%	1.0%	-12.5%	2.8%	4.5%	4.0%
Government	1.4%	1.6%	1.0%	1.2%	1.9%	1.8%	1.7%	1.7%
TCU	12.5%	10.0%	2.0%	1.8%	1.4%	2.7%	3.3%	2.9%
FIRE	9.2%	1.9%	0.9%	1.4%	1.0%	2.6%	3.5%	3.2%
Military	-1.1%	-1.7%	-3.0%	-1.7%	-0.1%	0.0%	0.0%	2.0%

Source: Bureau of Business and Economic Research November 2001 Baseline Forecast



## **REVISED FY/02 AND PROPOSED FY/03 REVENUE PROJECTIONS**

The General Fund revenue projections by major revenue category are summarized in Table C. Table D provides a comparison of the current revenue estimates by major revenue source for FY/01, actuals, FY/02 proposed and revised, and the Proposed FY/03 preliminary and proposed budget. Many of the revisions to the earlier revenue estimates were made in light of changes in actual receipts.

### **REVISED FY/02 REVENUE ESTIMATES**

Total recurring General Fund Revenues for FY/02 are anticipated to be \$324.3 million or \$9.3 million above FY/01 Actual Budget and represents an increase of only 3.2% over FY/01. During the Five-Year Forecast gross receipts taxes were estimated to increase at 3.2%, much lower than the 4.6% forecast for the FY/02 Approved Budget. Other changes are lowered expectations for charges for services. The revisions, by major revenue source, are displayed in Table D. Discussions of the details of revisions are found in the following text. Non-recurring revenues for FY/02 are estimated at \$3.4 million and include transfers from the quarter cent road tax for programs and one-time transfers.

### **PROPOSED BUDGET REVENUE ESTIMATES FOR FY/03**

General Fund recurring revenues for FY/03 are estimated to total \$335.7 million representing growth of 3.5% above the Revised FY/02 estimate. Non-recurring revenues are \$2.5 million including a one-time payment from the cable franchise, quarter cent transportation tax transfers, and one-time land sales.

Total revenues are \$338.2 million an increase of 3.2% above the Revised FY/02 estimate. Gross receipts are anticipated to be \$5.9 million or 2.6% above the FY/02 revision. The FY/03 Proposed Budget differs from the Five-Year Forecast with the inclusion of proposed revenue enhancements. Fees were increased in many areas to bring the City closer to regional averages and to better reflect the costs of these programs. This is discussed in more detail in the following text.

### **GROSS RECEIPTS TAX REVENUES**

The gross receipts tax estimate for FY/02 was adjusted down by \$3 million from the Approved FY/02 Budget during the Five-Year Forecast. The revision was based on weaker economic growth. The FY/03 estimate is based on the five-year forecast. This included expected growth of only 2% plus an increase of \$1.3 million from annexation of commercial property in the Cottonwood mall area. General Fund gross receipts tax revenues are forecast at \$231.5 million in FY/02 and \$237.4 million in FY/03 increases of 3.2% and 2.6% respectively.

The current forecast is based on the econometric models, that take account of the impacts of economic conditions on gross receipts taxes. The Five-Year Forecast was based on the BBER's November 2001 forecast. The results were discussed with the Forecast Advisory Group, and the increases discussed above were implemented. The local economy has clearly slowed, and receipts though somewhat erratic are close to expected growth. The variables affecting the estimates are discussed and presented in the preceding section on the Economic Outlook (Table A).

**TABLE C**  
**GENERAL FUND**  
**MAJOR REVENUE CATEGORIES, FY/00 - FY/03**

MAJOR REVENUE	FY 2000		FY 2001		FY 2002		FY 2003	
	ACTUAL	CHANGE	ACTUAL	CHANGE	REVISED	CHANGE	BUDGET	CHANGE
Gross Receipts Taxes	200,831	8.5%	224,184	11.6%	231,458	3.2%	237,387	2.6%
Local Taxes	34,891	11.0%	36,172	3.7%	36,412	0.7%	38,379	5.4%
Licenses & permits	7,556	7.2%	8,723	15.4%	8,844	1.4%	10,189	15.2%
Intergovernmental	10,231	-55.8%	4,353	-57.4%	5,477	25.8%	5,508	0.6%
Intra-City Charges *	20,248	3.8%	20,518	1.3%	23,295	13.5%	24,000	3.0%
Charges for Services	16,914	1.2%	16,187	-4.3%	16,524	2.1%	18,393	11.3%
Miscellaneous	3,978	25.9%	3,761	-5.4%	2,224	-40.9%	2,769	24.5%
Interfund Transfers	6,365	167.2%	3,663	-42.4%	3,486	-4.8%	1,588	-54.4%
<b>TOTAL REVENUES</b>	<b>301,014</b>	<b>6.8%</b>	<b>317,563</b>	<b>5.5%</b>	<b>327,720</b>	<b>3.2%</b>	<b>338,213</b>	<b>3.2%</b>
NON-RECURRING	9,117	-72.6%	2,500	-72.6%	3,407	36.3%	2,518	-26.1%
RECURRING REVENUES	291,897	9.3%	315,063	7.9%	324,313	2.9%	335,695	3.5%

Notes:

\* Revenues from intra-City charges include monies transferred to offset expenditures for capital funded positions as well as indirect overhead and revenues from internal services charges.

**TABLE D**  
**REVISED GENERAL FUND REVENUE ESTIMATES FOR FY/01 AND FY/02**  
**(\$000's)**

	FY 2001		FY 2002				FY 2003	
	ACTUAL		PROPOSED	BUDGET	REVISED	REVISED	PRELIM	PROPOSED
			MARCH 01	MAY 01	DEC 01	MARCH 02	DEC 01	MARCH 02
Gross Receipts Taxes	224,184		234,483	234,483	231,458	231,458	237,387	237,387
Property Taxes	15,429		15,135	15,135	15,952	15,952	16,350	16,350
Telephone Franchise	3,952		3,955	3,955	3,955	3,955	4,074	4,074
Electric Franchise	5,660		5,622	5,792	5,792	5,792	5,937	5,937
Gas Franchise	2,780		2,601	2,601	1,601	1,601	1,633	1,633
Cable Franchise	2,641		2,581	2,756	3,126	3,026	3,282	3,932
Other Franchise	592		678	678	610	610	647	647
PILOT	5,117		5,476	5,476	5,476	5,476	5,668	5,806
Building Permits	6,069		5,618	5,618	6,069	6,069	5,350	6,555
Other Licenses/Fees	2,654		2,760	2,726	2,726	2,775	2,817	3,634
Gasoline Tax Distrs	2,337		2,335	2,295	2,360	2,360	2,389	2,389
Other Intergov'l	2,017		2,584	2,587	3,091	3,117	3,353	3,119
Charges for Services	16,187		16,780	16,596	16,529	16,524	16,553	18,393
Internal Service	2,224		2,501	2,501	2,317	2,153	2,224	1,875
Indirect Overhead	14,744		14,886	14,886	14,686	14,557	15,253	14,666
CIP-Funded Positions	3,551		5,850	5,850	6,386	6,585	6,660	7,459
Fines and Forfeitures	42		30	30	40	40	30	40
Interest on Invest	3,229		2,462	2,462	1,506	1,506	2,109	2,109
Other Miscellaneous	490		459	459	459	678	473	620
Interfund Transfers	3,663		1,775	1,575	3,486	3,486	1,621	1,588
<b>TOTAL REVENUE</b>	<b>317,563</b>		<b>328,571</b>	<b>328,461</b>	<b>327,625</b>	<b>327,720</b>	<b>333,810</b>	<b>338,213</b>
<b>RECURRING REVENUES</b>	<b>315,063</b>		<b>328,571</b>	<b>327,761</b>	<b>326,725</b>	<b>324,313</b>	<b>332,782</b>	<b>335,695</b>
<b>% GROWTH IN RECURRING</b>	<b>1.8%</b>		<b>4.3%</b>	<b>4.0%</b>	<b>3.7%</b>	<b>2.9%</b>	<b>1.9%</b>	<b>3.5%</b>
<b>NON-RECURRING</b>	<b>2,500</b>		<b>0</b>	<b>700</b>	<b>900</b>	<b>3,407</b>	<b>1,028</b>	<b>2,518</b>

## OTHER REVENUE SOURCES

Other Local Taxes. Taxes other than the local option gross receipts taxes (Property tax, franchise tax, and PILOT) are expected to bring \$36.4 million to the General Fund in the Revised FY/02 and \$38.4 million in FY/03.

Property Tax- Revenues are expected to total \$15.9 million in FY/02. This estimate is about \$800 thousand above the Approved Budget and equal to the Five-Year-Forecast. The revision takes into account collections to date, and assumes 95% collections on net taxable value per the latest (and final) figures from the Local Government Division. Delinquent property tax revenues were \$1.6 million in FY/01 and are on pace to yield this much in FY/02. This is approximately \$400 thousand above expected revenues.

In FY/03, General Fund revenues from the property tax are expected to total \$16.3 million; an increase of 2.5%. Operating mill levies are set by the Local Government Division of the New Mexico Department of Finance and Administration in conformance with statutory yield control provisions. This limits the growth in property tax revenues to inflation plus new construction. The estimate assumes a growth in net taxable value for residential property of 3% due to property improvements and new construction. The growth in non-residential construction is estimated at 2%. Yield control will allow revenue growth for this "new value" plus an increase for inflation, which was estimated to be 3%. Growth is limited as the county will take 1% of the revenue for administration. This

replaces the separate billing for the service performed in the past.

Franchise Tax. Revenues are now expected to total \$14.9 million in FY/02 and \$16.2 million in FY/03. The estimate for FY/02 is about \$1.3 million below the Approved Budget. This occurs as the natural gas franchise was not renegotiated reducing the revenue estimate \$1 million. Other changes impacted revenues. In FY/02 cable franchise revenues were impacted as the rapidly growing internet connections were ruled by the FCC to be exempt from franchise fees. This reduces revenue by \$100 thousand in FY/02 and \$450 thousand in FY/03. Comcast increases cable franchise one-time payment to help fund public access and education stations. The City will repay this over four years, in FY/05 to FY/09. Receipts for electric and natural gas are expected to grow at 2.5%. QWEST revenues are anticipated to increase at 3% as the growth can exceed the customer base through the offering of special service including high-speed Internet connections. The estimate for Other Franchise revenue was adjusted downward to reflect bankruptcies that occurred in two of the three telecommunications franchises. The New Mexico Utilities Franchise offsets this in part as it continues to enjoy strong revenue growth. These franchises are expected to generate nearly \$650 thousand in FY/03.

PILOT. Payments in lieu of taxes increased in FY/02 due to increased revenue collection and property valuations. In FY/03 growth is expected to increase revenues \$330 thousand to \$5.8 million.

Licenses and Permits Building permit inspection revenues have remained at approximately the same level as FY/01. The FY/02 Approved Budget had anticipated a decline in building permits of \$450 thousand. The Five-Year Forecast revised the FY/02 number up to the level of the actual FY/01 receipts. The Five-Year Forecast for FY/03 anticipated a 12% decline in permit revenues—\$700 thousand below the estimates for FY/02. The proposed budget includes a 20% increase in fees based on national building standards and Bernalillo County charges. This increases revenues \$1.2 million above the Five-Year Forecast.

Other licenses and permits are expected to bring in about \$2.8 million in receipts in FY/02, \$120 thousand above Actual FY/01. The strength is in animal licenses and liquor licenses. In FY/03 revenues are anticipated to increase by \$859 thousand as permits for restaurant inspections and animal licenses are increased. Restaurant inspections are to be based on a square footage basis and merged with food inspections. A re-inspection fee will also be charged increasing fees by \$594 thousand. Animal licenses for altered animals is increased and is expected to realize \$120 thousand. These increases in fees bring the City of Albuquerque closer to regional averages charged for these services.

Intergovernmental Assistance. This category of revenues has changed dramatically in the past three years. State shared gasoline tax revenue, estimated at \$4.5 million, is accounted for in the Road Tax Fund 282. Additionally, the State legislature diverted the DWI court receipts to help pay for a parking garage for the new municipal court a loss of \$400 to \$600 thousand.

FY/02 revenues are anticipated to be \$3.1 million or about \$530 thousand above the Approved Budget. This is due to a \$300 thousand increase from billing the State for the Inc. 500 conference. Bernalillo County reduces its shared payment for fire services by \$60 thousand, while a one-time \$47 thousand payment from FEMA for work at the World Trade Center offsets this in part. In FY/03 revenues remain flat. Revenues from the municipal gasoline tax are expected to remain flat as Indian Pueblos

are allowed to be wholesale distributors of gasoline and are not subject to gasoline taxes, any growth will go to the Pueblos.

Charges for Services Charges for services are expected to bring \$16.5 million into the General Fund in FY/02 and \$18.4 million in FY/03. FY/02 is \$72 thousand below the Approved Budget due to a series of declines and increases in different categories. Decreases include no contract for the EMS fee for a Medical doctor, discontinuation of administrative fees from the housing program, lower collection on animal services provided to the County, slowdown in materials testing, and BioPark admissions. These are offset by increased revenue for food services at the Convention Center, and increases in water charges to APS to reflect actual costs. In FY/03 the revenue from new and increased fees is over \$2 million. The revenues generated are:

< out of state admission fees increased by \$1.00 at BioPark and Museum	\$200,000;
< zoning fees increased by 10%	\$50,000;
< increase fees for adult sports, tennis lessons, aquatics, parks reservations and maintenance agreements	\$275,000;
< increase overhead charged to off duty police overtime	\$60,000;
< surcharges for Balloon Fiesta	\$401,000;
< introduce preferred vendor contracts at convention center	\$215,000;
< changes and increases in Animal Service	\$170,000;
< increases in fees for latch key program	\$289,000;
< increases in fees for child care program	\$286,000;
< and attorney's fees charged for nuisance abatement and foreclosures	\$105,000;

Intra-City Charges. Intra-city charges include internal services, indirect overhead, and positions funded by the CIP program. In FY/02 revenues are \$60 thousand above the budget. The increase is in CIP funded positions offsetting a weakness in engineering surveys and inspections, building alterations, and City office services.

In FY/03 revenues are up \$700 thousand. The CIP program will add \$874 thousand to fund positions involved in park development and design, provide oversight for quarter cent transportation projects, manage tax increment funded positions and roads projects. Internal services revenues are expected to decline \$428 thousand from declines in engineering inspections and surveying and move from internal provision of building alterations. This decline is partially offset by an increase of \$150 thousand for real property fees for purchasing lands for the Petroglyph National Monument. Indirect overhead revenues will increase \$109 thousand, due to changes in overhead rates and declines in the number of positions that generate indirect overhead revenue.

Miscellaneous Revenues. Fines and forfeitures are expected to generate \$40 thousand in FY/02 based on actual collections. In FY/03 the estimate is \$40 thousand all in air quality penalties.

Estimated revenues from interest earnings in FY/02 are \$1.5 million, a decrease of \$956 thousand from the Approved FY/02 Budget. This is due to smaller daily balances in the General Fund and dramatic declines in interest rates. In FY/03 this is expected to be up \$603 thousand as interest rates and balances increase.

Inter-Fund Transfers. Incoming transfers from other funds in FY/02 are expected to be \$1.9 million above the Approved Budget amount of about \$1.6 million. The \$1.9 million is a one-time transfer from the capital fund of monies previously dedicated to building police mini-substations. Transfers for FY/03 will be \$1.6 million.